

CITY STORES COMPANY
and
Consolidated Statements with Subsidiary Companies

Annual Report
to the
Stockholders

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JANUARY 31, 1944

OFFICERS

SAUL COHN	<i>President</i>
DR. WILLIAM D. GORDON	<i>Executive Vice President and Treasurer</i>
IRWIN S. JOSEPH	<i>Vice President</i>
MEYER FELDMAN	<i>Vice President</i>
MILTON A. KAMSLER	<i>Secretary</i>
BENJAMIN SCHNECK	<i>Assistant Secretary</i>

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Philadelphia, Pa.

Chairman of the Board

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JOHN B. KNOX
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JOHN J. TURTELTAUB
New York, N. Y.

Transfer Agent

CENTRAL HANOVER BANK & TRUST CO.
70 Broadway, New York, N. Y.

Registrar

THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK
11 Broad Street, New York, N. Y.

Auditors

ERNST & ERNST
19 Rector Street, New York, N. Y.

OPERATIONS OF CITY STORES COMPANY
and
SUBSIDIARY COMPANIES
FOR FISCAL YEARS ENDED JANUARY 31st

	1944	1943	1942	1941	1940
Consolidated Net Sales.....	<u>\$67,898,670</u>	<u>\$60,623,556</u>	<u>\$53,872,064</u>	<u>\$45,222,974</u>	<u>\$41,450,777</u>
NET PROFIT (After elimination of inter-company dividends but before income taxes and other charges shown below)					
Lit Brothers and Subsidiary Companies.....	\$ 3,461,619	\$ 2,874,782	\$ 2,192,744	\$ 1,351,006	\$ 1,061,077
Maison Blanche Company and Maison Blanche Realty Company	1,744,754	1,242,608	645,752	526,234	454,845
Loveman, Joseph & Loeb and Home Finance Corporation.....	1,059,667	664,278	408,194	303,176	245,238
B. Lowenstein & Bros., Inc.....	866,504	541,111	262,329	178,642	141,706
Kaufman-Straus Co., Inc. and Homecraft Finance Corporation of Louisville.....	388,172	268,672	149,175	56,084	34,239
	<u>\$ 7,520,716</u>	<u>\$ 5,591,451</u>	<u>\$ 3,658,194</u>	<u>\$ 2,415,142</u>	<u>\$ 1,937,105</u>
Less:					
Provision for Federal and State Income Taxes.....	\$ 5,495,666	\$ 3,677,860	\$ 1,534,105	\$ 581,307	\$ 434,390
Interest on City Stores Com- pany's long-term obligations, etc.....	134,952	213,916	268,230	318,033	332,413
Minority Interest Proportion....	376,401	366,988	447,684	375,840	311,002
	<u>\$ 6,007,019</u>	<u>\$ 4,258,764</u>	<u>\$ 2,250,019</u>	<u>\$ 1,275,180</u>	<u>\$ 1,077,805</u>
Net Profit Applicable to City Stores Company.....	<u>\$ 1,513,697</u>	<u>\$ 1,332,687</u>	<u>\$ 1,408,175</u>	<u>\$ 1,139,962</u>	<u>\$ 859,300</u>

April 26, 1944

To the Stockholders of

CITY STORES COMPANY:

The Annual Report of your Company for the fiscal year ended January 31, 1944 is presented herewith, together with the report of its independent auditors, Messrs. Ernst & Ernst.

This Annual Report, as in the past, includes balance sheets of City Stores Company individually and consolidated with subsidiaries, separate balance sheets of subsidiaries; also statements of profit and loss and surplus of City Stores Company individually and consolidated with subsidiaries.

SALES AND EARNINGS

Sales for the fiscal year, including sales of leased departments, amounted to \$67,898,670, compared with \$60,623,556 for the preceding year, an increase of \$7,275,114, or 12%. Sales have increased for the past five consecutive years, reaching a record high during the fiscal year just ended.

Operations for the fiscal year ended January 31, 1944, after federal and state taxes on income and all other deductions, resulted in a consolidated net profit of \$1,513,697 as against \$1,332,687 for the previous fiscal year. Higher earnings had the effect of increasing income taxes from \$3,677,860 to \$5,495,666. Each of our stores has shown increased earnings for the past five consecutive years.

Inventories, as in the past, were valued on the retail inventory method, using the "last-in, first-out" principle for determining cost. Provision for federal taxes on income has been computed on this basis and is subject to acceptance by the Commissioner of Internal Revenue.

Your management has provided for possible inventory loss and other post war contingencies, the sum of \$454,772, out of this year's earnings.

In accordance with consistent policy, provision for depreciation and amortization of buildings, fixtures, equipment and improvements has been charged against earnings during the past fiscal year and amounted to \$616,380, compared with \$608,234 for the preceding year.

FINANCIAL CONDITION

Pursuant to our long established practice, the independent auditors, together with the management of our various stores, have supervised inventory procedure and made tests of quantities and basis of valuation.

Consolidated earned surplus at the close of the year amounted to \$8,000,551, an increase of \$1,559,953 over the balance in that account at the beginning of the year.

The financial status of your Company again has been strengthened materially by debt reductions as follows:

All sinking fund payments on the Ten Year 6% Lit Stock Collateral Convertible Notes due February 1, 1946, have been met and the principal reduced from \$2,620,000 as at January 31, 1943 to \$2,345,000.

Notes held by the Chase National Bank of the City of New York and Bankers Securities Corporation of Philadelphia, in the amount of \$1,000,000 and \$1,260,000 at the close of the fiscal year January 31, 1943 have been reduced to \$333,333.33 and \$1,078,000, respectively. Included in the

foregoing reductions was the anticipated payment on January 20, 1944 of the installment of \$333,333.33 due August 1, 1944 to the Chase National Bank. The total long-term debts and mortgage obligations of City Stores Company and subsidiaries have been reduced during the fiscal year, as follows:

City Stores Company.....	\$1,123,667
Lit Brothers.....	825,894
Maison Blanche Realty Company.....	110,000
Loveman, Joseph & Loeb.....	61,024
City Stores Mercantile Company, Inc.....	28,750
Total Reduction of Debt.....	<u>\$2,149,335</u>

GENERAL

The reorganization proceedings of this Company provided that holders of old common stock, old Class A stock, or Voting Trust Certificates therefor, exchange their stock for stock of the present Company. A comparatively small number of holders of the old stock, despite repeated notices, failed to present their certificates for exchange. On September 28, 1943, the Company made application to the District Court in Delaware to fix a final date beyond which no further exchanges would be permitted. The Court signed a Decree fixing May 1, 1944 as the final date for making the exchange. To the extent that these shares are not presently exchanged in accordance with the Plan of Reorganization by May 1, 1944, the holders thereof will not be entitled to new shares of this Company.

Toward the end of the year, we established a branch buying office in the Merchandise Mart Building in Chicago as a part of our preparation for post war business. This will bring us in closer contact with the manufacturers of many lines of durable goods and enable us to get merchandise which will be needed to satisfy the pent-up demand of customers in the Post-Victory period.

Six hundred and fifty-nine of our associates and co-workers are in the service. We are glad that many of them have achieved success and hold responsible positions in the Army and Navy personnel.

It has been an exceedingly difficult year because of conditions beyond our control. The results could not have been attained without the loyalty and efficiency of our employees and the cooperation of our customers.

For the Directors.

ALBERT M. GREENFIELD,
Chairman of the Board.

SAUL COHN,
President.

ERNST & ERNST

19 RECTOR STREET

NEW YORK

BOARD OF DIRECTORS,
CITY STORES COMPANY,
WILMINGTON, DELAWARE.

We have examined the consolidated balance sheet of CITY STORES COMPANY and its subsidiaries and the balance sheets of the individual companies as of January 31, 1944, and the statements of profit and loss and surplus of CITY STORES COMPANY and the consolidated statements of profit and loss and surplus of that Company and its subsidiaries for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Our examination included tests of accounts receivable of all companies by direct communication with a selected number of customers. We were present at stores at appropriate times during the taking of inventories and observed procedures followed by the companies in determination of quantities and made test counts of quantities.

In our opinion, the accompanying consolidated balance sheet and individual balance sheets and related statements of profit and loss and surplus present fairly the consolidated position of CITY STORES COMPANY and its subsidiaries and of the individual companies at January 31, 1944 and consolidated results of their operations and of the operations of CITY STORES COMPANY for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

April 20, 1944.

CITY STORES COMPANY AND
CONSOLIDATED
JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 8,902,033.25
United States Government securities—at cost and accrued interest.....	2,936,521.52
Accounts receivable from customers, less reserves of \$495,865.98.....	4,241,891.26
Accounts and notes receivable from vendors and tenants, less reserve of \$10,000.00.....	155,285.61
Merchandise inventories, less reserves of \$311,782.43 as shown in subsidiary companies' balance sheets—Note A.....	6,789,771.75
TOTAL CURRENT ASSETS.....	\$23,025,503.39

CASH FOR DEPOSIT UNDER INDENTURE SECURING LONG TERM OBLIGATIONS—Note B.. 91,800.00

INVESTMENTS AND OTHER ASSETS:

Investments:

Capital stock of a parent company (approximate market value \$314,750.00)—at cost.....	\$ 225,568.00	
Mortgages receivable (including \$394,845.00 purchased through a parent company or other affiliates).....	487,396.23	
Stock of City Stores Company (516 shares of common stock owned by subsidiaries).....	3,371.26	
Sundry investments, less reserves of \$16,991.41..	78,925.75	\$ 795,261.24
Officers, employees and sundry notes and accounts receivable, deposits, etc. (\$53,000.00 due from officers of a subsidiary company partially secured by capital stock of a parent company).....	170,353.98	
Claims against closed banks, less reserves of \$31,962.44.....	29,130.25	
Cash surrender value of life insurance.....	43,737.63	
Post war refund of excess profits taxes—estimated.....	106,912.37	1,145,395.47

LAND, BUILDINGS, EQUIPMENT AND IMPROVEMENTS—Note C:

Land.....	\$10,739,396.45	
Buildings, fixtures and equipment.....	\$16,692,017.15	
Less reserves for depreciation.....	7,659,434.88	9,032,582.27
Improvements to leased properties.....	\$ 492,303.74	
Less reserves for amortization.....	256,269.50	236,034.24
		20,008,012.96

GOOD WILL (carried on books of subsidiaries in total amount of \$2,792,158.27) 1.00

DEFERRED CHARGES:

Prepaid insurance, unamortized mortgage expense, inventories of supplies, prepaid taxes and expenses.....	406,335.33
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\$44,677,048.15

SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1944

LIABILITIES

CURRENT LIABILITIES:

Note payable:

Bank—for borrowed money		
(Preferred stock of a subsidiary company pledged as collateral)	\$	76,930.00
First mortgage installments due in 1944		318,994.36
Accounts payable for merchandise, etc.		3,838,112.20
Dividend payable by subsidiary company (including \$90,180.00 to be deposited with trustee for retirement of parent company's long term obligations)		144,004.50
Accrued salaries, wages, taxes, interest, etc.		844,261.58
Collections from sale of war bonds		838,659.19
Federal and state taxes on income—estimated—Notes A and F.	\$5,845,989.82	
Less United States tax notes purchased for payment of such taxes when due.	<u>2,213,835.00</u>	<u>3,632,154.82</u>
TOTAL CURRENT LIABILITIES		\$ 9,693,116.65

DEFERRED LIABILITIES:

Notes payable to banks due 1945-47	\$ 750,000.00	
Paving assessments due subsequently to January 31, 1945	<u>1,454.62</u>	<u>751,454.62</u>

FIRST MORTGAGES:

Payable by subsidiary companies	\$8,008,495.30	
Less installments included in current liabilities above	<u>318,994.36</u>	<u>7,689,500.94</u>

OTHER LONG TERM OBLIGATIONS—Note B:

Ten Year 6% Lit Stock Collateral Convertible Notes—due February 1, 1946:		
Authorized and issued	\$3,500,000.00	
Less retired	<u>1,155,000.00</u>	<u>\$2,345,000.00</u>
Note payable—due February 1, 1946 (subordinate to the following note payable to bank)	1,078,000.00	
Note payable to bank—secured—due August 1, 1945	<u>333,333.33</u>	<u>3,756,333.33</u>

RESERVES:

For redemption of trading stamps, self-insurance, etc.	\$ 946,067.01	
For post war contingencies	<u>450,000.00</u>	<u>1,396,067.01</u>

DEFERRED INCOME:

Unearned carrying charges on installment—sales		2,243.26
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MINORITY INTEREST:

Preferred stock of subsidiary companies outstanding—at par	\$3,844,900.00	
Accrued undeclared dividends to January 31, 1944	1,044,608.00	
Common stock of subsidiary companies	318,062.00	
Surplus applicable thereto	<u>849,476.59</u>	<u>6,057,046.59</u>

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:

Class A—6% cumulative—authorized and unissued 700,000 shares; (469,000 shares reserved for conversion of Ten Year 6% Lit Stock Collateral Convertible Notes)		
Common:		
1,900,000 shares authorized	\$9,500,000.00	
689,957 8/12 shares unissued	<u>3,449,788.34</u>	
1,210,042 4/12 shares issued	\$6,050,211.66	
502 shares in treasury	<u>2,510.00</u>	
1,209,540 4/12 shares outstanding		<u>\$6,047,701.66</u>

Surplus:

Capital surplus	\$1,283,032.82	
Earned surplus (since February 1, 1935)—Note D	<u>8,000,551.27</u>	<u>9,283,584.09</u>
		<u>15,331,285.75</u>
		<u>\$44,677,048.15</u>

CITY STORES COMPANY AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED BALANCE SHEET
JANUARY 31, 1944

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past three fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1944 by \$1,240,200.42, and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$47,900.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Reference is made to Note B to the balance sheet and to Note A to the profit and loss statement of City Stores Company (individually) in which the amount of funds available for interest, sinking fund requirements and retirement of long-term obligations are stated and provisions of indenture securing long-term obligations of the Company are given with respect to the effect upon surplus and income available for dividends.

NOTE C—Stated at cost to subsidiary companies paid for either in cash or in capital stock at time of organization, except Kaufman-Straus Company, Inc., where furniture, fixtures, improvements to leased buildings, etc., are stated at sound value as determined in January, 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation, and less subsequent write-down in the case of Kenville Realty Company.

NOTE D—Including \$2,510.00 reserved for common stock held in treasury.

NOTE E—Reference is made to the pertinent notes appearing on the accompanying balance sheets of City Stores Company and subsidiary companies.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including matter referred to in Note A above, which involves total tax liability of approximately \$839,900.00 for the three fiscal years ending January 31, 1944.

CITY STORES COMPANY AND SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED PROFIT AND LOSS STATEMENT

	Year Ended January 31, 1944	Year Ended January 31, 1943	Year Ended January 31, 1942
NET SALES, including sales of leased departments.	\$67,898,670	\$60,623,556	\$53,872,064
COST OF GOODS SOLD.	43,612,278	38,793,798	34,985,549
GROSS PROFIT ON SALES.	\$24,286,392	\$21,829,758	\$18,886,515
INCOME FROM BROADCASTING AND INSTALLMENT ACCOUNT CARRYING CHARGES.	826,147	753,249	712,169
TOTAL GROSS PROFIT.	\$25,112,539	\$22,583,007	\$19,598,684
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.	16,408,498	15,751,192	14,897,657
	\$ 8,704,041	\$ 6,831,815	\$ 4,701,027
OTHER INCOME:			
Interest.	126,278	61,980	44,571
Rentals.	202,963	199,151	196,946
Miscellaneous.	292,539	133,346	242,515
TOTAL OTHER INCOME.	\$ 621,780	\$ 394,477	\$ 484,032
	\$ 9,325,821	\$ 7,226,292	\$ 5,185,059
OTHER CHARGES:			
Interest on mortgages, notes payable, etc.	383,386	450,335	479,716
Provision for depreciation and amortization.	616,380	608,234	598,113
Provision for sundry charges, doubtful accounts, loss on disposal of equipment, etc. (net).	249,416	496,728	379,761
	\$ 1,249,182	\$ 1,555,297	\$ 1,457,590
	\$ 8,076,639	\$ 5,670,995	\$ 3,727,469
FEDERAL AND STATE TAXES ON INCOME—ESTIMATED:			
Provision for current year:			
Federal normal income tax and surtax.	1,029,671	978,643	1,025,543
Federal excess profits tax.	4,285,580*	2,582,690*	391,500
State income tax.	189,092	106,158	120,313
Adjustments of prior years.	(8,677)	10,369	(3,251)
	\$ 5,495,666	\$ 3,677,860	\$ 1,534,105
NET PROFIT BEFORE FOLLOWING DEDUCTIONS:	\$ 2,580,973	\$ 1,993,135	\$ 2,193,364
Provision for post war contingencies.	450,000	—0—	—0—
Amount of net profit of subsidiaries applicable to preferred and common stocks of subsidiary companies not owned by City Stores Company.	376,401	366,988	447,684
Interest on City Stores Company's long term obligations.	240,875	293,460	337,505
	\$ 1,067,276	\$ 660,448	\$ 785,189
NET PROFIT FOR PERIOD.	\$ 1,513,697	\$ 1,332,687	\$ 1,408,175

*After deducting post war and debt retirement credits of \$ 473,620 \$ 287,510 \$ —0—

NOTE—The above statement of profit and loss is subject to the pertinent notes on the financial statements of the respective companies for the three fiscal years.

CITY STORES COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED SURPLUS

YEAR ENDED JANUARY 31, 1944

CAPITAL SURPLUS:

Balance at February 1, 1943.....	\$1,287,319.93	
Add transfer from minority interest in preferred stock of a subsidiary the amount of accrued undeclared dividends on such stock acquired by another subsidiary during year (applicable to periods prior to reorganization of City Stores Company on January 31, 1935).....	3,992.92	
	<u>\$1,291,312.85</u>	
Deduct excess of purchase price over amount represented by par value of shares of a subsidiary company acquired during year....	8,280.03	
CAPITAL SURPLUS—BALANCE—JANUARY 31, 1944		<u>\$1,283,032.82</u>

EARNED SURPLUS:

Balance at February 1, 1943.....	\$6,440,597.77	
Add:		
Consolidated net profit applicable to City Stores Company for year ended January 31, 1944.....	\$1,513,697.47	
Reserve for decline in value of securities, no longer required.....	\$66,318.00	
Less proportion applicable to minority interest.....	20,819.20	45,498.80
Transfer from minority interest in preferred stock of a subsidiary the amount of accrued undeclared dividends on such stock acquired by another subsidiary during year (applicable to periods subsequent to reorganization of City Stores Company on January 31, 1935).....	8,093.75	1,567,290.02
	<u>\$8,007,887.79</u>	
Deduct sundry adjustments—net.....	7,336.52	
EARNED SURPLUS—BALANCE—JANUARY 31, 1944.....		<u>8,000,551.27</u>
TOTAL SURPLUS—BALANCE—JANUARY 31, 1944.....		<u><u>\$9,283,584.09</u></u>

CITY STORES COMPANY (Individually)

BALANCE SHEET

JANUARY 31, 1944

ASSETS

INVESTMENTS IN AND ACCOUNTS RECEIVABLE FROM SUBSIDIARY COMPANIES

City Store Company proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1935, plus \$33,038.35 representing cancellation of subsidiary company's indebtedness to City Stores Company at January 31, 1937—Note A:

Unpledged.....	\$ 110,496.48	
Pledged to long term obligations.....	13,438,873.99	\$13,549,370.47

Accounts receivable.....	6,029.66	\$13,555,400.13
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CURRENT ASSETS:

Cash.....		23,423.77
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CASH FOR DEPOSIT UNDER INDENTURE SECURING LONG TERM OBLIGATION—Note B...

91,800.00

OTHER ASSETS:

Sundry account receivable.....		625.00
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EQUIPMENT—AT COST:

Furniture and fixtures.....	\$ 4,016.13	
Less reserve for depreciation.....	577.42	3,438.71

DEFERRED CHARGES:

Prepaid tax, insurance and expenses.....		1,961.27
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\$13,676,648.88

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:

Subsidiary companies.....	\$ 24,175.72	
Other.....	26,584.47	\$ 50,760.19

Accrued accounts:

Interest.....	\$ 48,354.60	
Taxes, state franchise, etc.....	5,222.63	53,577.23

TOTAL CURRENT LIABILITIES.....

\$ 104,337.42

LONG TERM OBLIGATIONS:

Ten Year 6% Lit Stock Collateral Convertible Notes—due February

1, 1946—Note B:

Authorized and issued.....	\$ 3,500,000.00	
Less retired.....	1,155,000.00	\$ 2,345,000.00

Note payable—due February 1, 1946 (subordinate to the following note payable to bank)	1,078,000.00	
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Note payable to bank—secured—due August 1, 1945.....	333,333.33	3,756,333.33
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CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:

Class A—6% cumulative—authorized and unissued 700,000 shares; (469,000 shares reserved for conversion of Ten Year 6% Lit Stock Collateral Convertible Notes)

Common:

1,900,000 shares authorized.....	\$ 9,500,000.00	
689,957 8/12 shares unissued.....	3,449,788.34	

1,210,042 4/12 shares issued.....	\$ 6,050,211.66	
502 shares in treasury.....	2,510.00	

1,209,540 4/12 shares outstanding.....	\$ 6,047,701.66	
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Surplus:

Capital surplus.....	\$ 1,053,623.05	
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Earned surplus (since February 1, 1935)—Notes C and D.....	2,714,653.42	3,768,276.47
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\$13,676,648.88

CONTINGENT LIABILITIES:

Note E

The notes on following page are an integral part of this balance sheet.

NOTES TO BALANCE SHEET OF CITY STORES COMPANY (Individually)

JANUARY 31, 1944

NOTE A—City Stores Company's proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1944 amounted to \$19,064,678.09.

NOTE B—Cash for deposit with trustee at January 31, 1944 was subsequently applied to the purchase and retirement of \$90,000.00 principal amount of Ten Year 6% Lit Stock Collateral Convertible Notes. With the aforementioned payment, all sinking fund requirements to October 1, 1944 have been met.

NOTE C—Including \$2,510.00 reserved for common stock held in treasury.

NOTE D—In accordance with the terms of the indenture securing Ten Year 6% Lit Stock Collateral Convertible Notes, the Company, so long as any of the notes issued under the indenture are outstanding, will not declare, pay or set apart for payment cash dividends upon its common stock except out of surplus earned subsequent to October 1, 1934 (see note to City Stores Company profit and loss statement).

NOTE E—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

At January 31, 1944 City Stores Company was guarantor of a note payable to bank by a subsidiary company (City Stores Mercantile Company, Inc.) in the amount of \$76,930.00.

CITY STORES COMPANY (Individually)
PROFIT AND LOSS STATEMENT
YEAR ENDED JANUARY 31, 1944

INCOME:

Dividends from subsidiary companies:			
Received in cash.....	\$1,100,585.00		
Payments by subsidiary companies for management, advisory and sales service, less net amounts transferred to City Stores Mercantile Company, Inc. (a wholly owned subsidiary) for buying services..	237,900.61		
Miscellaneous.....	528.14	\$1,339,013.75	

DEDUCTIONS:

General expenses.....	\$ 126,261.23		
Interest on long term obligations:			
Ten Year 6% Lit Stock Collateral Convertible Notes	\$146,363.34		
Notes payable.....	94,511.11	240,874.45	367,135.68

NET PROFIT FOR YEAR..... \$ 971,878.07

NOTE A—Cash dividends from collateral held by trustee under indenture securing Ten Year 6% Lit Stock Collateral Convertible Notes must first be used by trustee for payment of the interest and then used to comply with sinking fund provisions of the indenture, as amended by agreement of extension, which specify that annual payments shall be made beginning with the year ending October 1, 1943 of \$140,000.00 per year. Under the terms of the indenture, the provision for sinking fund is cumulative, but failure to provide the specified amount does not constitute a default.

All cash dividends from collateral securing note payable to bank are collectible by the bank but in case the Company is not in default in payment of principal or interest on the note such dividends with respect to certain of these companies not exceeding \$150,000.00 per annum shall be paid over by the bank to the Company.

NOTE B—No provision is required for federal taxes on income.

CAPITAL SURPLUS

Balance at January 31, 1944.....	<u>\$1,053,623.05</u>
No change during year	

EARNED SURPLUS

Balance at February 1, 1943.....	\$1,742,775.35
Add net profit for year as above.....	971,878.07
BALANCE AT JANUARY 31, 1944.....	<u>\$2,714,653.42</u>

LIT BROTHERS AND
CONSOLIDATED
JANUARY

ASSETS

CURRENT ASSETS:

Cash.....		\$ 5,138,791.39
United States Government securities at cost and accrued interest.....		1,716,744.34
Accounts receivable:		
Customers' charge accounts.....	\$ 2,280,514.30	
Customers' installment accounts.....	79,164.90	
Creditors' debit balances.....	81,944.16	
	\$ 2,441,623.36	
Less reserve.....	209,876.87	2,231,746.49
Merchandise inventories—Note A.....		3,365,004.18
TOTAL CURRENT ASSETS.....		\$12,452,286.40

INVESTMENTS AND OTHER ASSETS:

Securities—at cost:		
Capital stock of a parent company (approximate market value \$280,000.00).....	\$204,568.00	
Sundry investments.....	27,999.66	\$ 232,567.66
Mortgages receivable (including \$394,845.00 purchased through a parent company or other affiliates).....	487,396.23	
Sundry accounts receivable, deposits and cash in closed banks....	95,776.68	
Officers' notes receivable (partially secured by capital stock of a parent company).....	53,000.00	
Post war refund of excess profits tax—estimated.....	17,512.37	886,252.94
PROPERTY, PLANT AND EQUIPMENT—Note B:		
Land, buildings, fixtures and equipment—at cost.....	\$18,750,328.46	
Less reserves for depreciation.....	4,466,094.90	14,284,233.56
GOOD WILL.....		1,046,783.23
DEFERRED CHARGES:		
Unamortized mortgage expense, inventory of supplies, prepaid insurance, taxes and expenses.....		206,834.20

NOTE A—Inventories of merchandise on hand and in transit are valued by the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such determination of cost had the effect of reducing the amount stated for inventories at January 31, 1944 by \$594,940.44, including an amount of \$455,052.37 applied as at February 1, 1943. The reduction of \$139,888.07 applicable to operations for the year ended January 31, 1944 reduced the net profit (after taxes on income) shown for the year by approximately \$28,000.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation which is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost and less provision for accruing depreciation.

NOTE C—An agreement in connection with issuance of the serial notes provides, among other things, including provisions respecting net current assets, that while any of such notes are outstanding the Company will not declare or pay any dividends (other than dividends payable in stock of the Company), purchase, redeem or otherwise retire any shares of any class of its stock or make any other distribution in respect thereto, which will reduce earned surplus of the Company below \$3,000,000.00.

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1944 amounted to \$2,496,078.00 of which \$1,563,120.00 is applicable to preferred stock owned by City Stores Company.

NOTE E—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including matter referred to under Note A above which involves a tax liability of approximately \$451,000.00 for the three fiscal years ending January 31, 1944.

\$28,876,390.33

SUBSIDIARY COMPANIES
BALANCE SHEET

31, 1944

LIABILITIES

CURRENT LIABILITIES:			
Collections from sale of war bonds.....		\$	663,412.50
First mortgage installments due in 1944.....			308,019.52
Accounts payable.....			1,768,315.22
Dividend declared on preferred 6% stock—paid February 1, 1944.			144,004.50
Accrued accounts.....			121,905.82
Federal, state and local taxes — estimated (net after using \$179,000.00 post war credit of federal excess profits tax through reduction of debt)—Note E.....	\$ 2,814,519.61		
Less United States tax notes purchased for payment of federal taxes when due.....	1,033,100.00	1,781,419.61	
TOTAL CURRENT LIABILITIES.....		\$ 4,787,077.17	
RESERVES:			
For redemption of trading stamps.....	\$ 629,628.72		
For self-insurance.....	63,760.86		
For post war contingencies.....	300,000.00	993,389.58	
SERIAL NOTES PAYABLE TO BANK—Note C:			
Due \$250,000.00 annually 1945 to 1947.....		750,000.00	
FIRST MORTGAGES ON LAND AND BUILDINGS:			
Due semi-annually 1944 to 1955.....	\$5,125,000.00		
Due quarterly 1944 to 1954 (payable by subsidiary)	690,260.12	\$ 5,815,260.12	
Less installments included in current liabilities.....	308,019.52	5,507,240.60	
DEFERRED INCOME:			
Unearned carrying charges on installment sales.....		2,243.26	
CAPITAL STOCK AND SURPLUS:			
Capital stock:			
Preferred 6% cumulative par value \$100.00 per share, redeemable at \$105.00 per share—Note D:			
Authorized and issued 120,000 shares; outstanding 96,003, after deducting 23,997 shares in treasury.....	\$ 9,600,300.00		
Common, no par value:			
Authorized and issued 1,000,000 shares; outstanding 999,145 shares after deducting 855 shares in treasury.....	999,145.00		
	\$10,599,445.00		
Surplus—Note D:			
Capital.....	\$ 200,229.84		
Earned.....	6,036,764.88	6,236,994.72	16,836,439.72
			<u>\$28,876,390.33</u>

MAISON BLANCHE COMPANY

BALANCE SHEET

JANUARY 31, 1944

ASSETS

CURRENT ASSETS:

Cash.....		\$1,447,441.37
United States Government securities at cost and accrued interest.....		313,368.50
Accounts receivable—trade—less reserve of \$80,162.91 for doubtful.....		830,232.89
Merchandise inventories, less reserve of \$40,000.00—Note A.....		1,491,930.52
TOTAL CURRENT ASSETS.....		\$4,082,973.28

AFFILIATED COMPANIES:

Note receivable—secured by 185 shares of preferred stock of Loveman, Joseph & Loeb—aggregate par value \$18,500.00.....	\$ 26,637.50	
Accounts receivable.....	12,868.80	39,506.30

INVESTMENTS AND OTHER ASSETS:

Investments:		
Capital stock of a parent company (approximate market value \$34,750.00).....	\$ 21,000.00	
Capital stock of City Stores Company—book carrying amount of 94 shares common stock.....	470.01	
Investments in other companies.....	49,452.18	
Sundry accounts receivable, advances and cash in closed banks, less reserve of \$13,054.69..	21,507.77	92,429.96

INVESTMENTS IN SUBSIDIARY COMPANIES:

Maison Blanche Realty Company:		
Investment in 7,085 shares of common stock (representing 99.44% of outstanding stock)—at cost (Maison Blanche Company's proportion of net tangible assets as shown by this Company's balance sheet at January 31, 1944 amounted to \$1,346,263.48).....	\$ 894,575.00	
Account receivable.....	6,688.61	\$ 901,263.61
B. Lowenstein & Bros., Inc.:		
Investment in 11,450 shares of common stock (its entire outstanding capital stock)—at cost (net tangible assets as shown by this subsidiary company's balance sheet at January 31, 1944 amounted to \$1,756,908.85)	\$2,219,411.38	
Account receivable.....	111.60	2,219,522.98
		3,120,786.59

EQUIPMENT AND IMPROVEMENTS—AT COST:

Furniture, fixtures and equipment.....	\$ 977,150.90	
Less reserves for depreciation.....	616,464.10	\$ 360,686.80
Improvements to leased property.....	\$ 220,165.36	
Less reserve for amortization.....	153,352.98	66,812.38
		427,499.18

GOOD WILL—as stated on books..... 376,031.24

DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses.....		100,606.20
		<u>\$8,239,832.75</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....		\$ 495,463.64
Collections from sale of war bonds.....		108,721.69
Accrued salaries, taxes and expenses.....		107,925.82
Federal and state taxes on income—estimated:		
Net after using \$119,534.00 post war credit of federal excess profits tax through reduction of debt—Note B.....	\$1,289,700.00	
Less United States tax notes purchased for payment of such taxes when due.....	100,000.00	1,189,700.00
TOTAL CURRENT LIABILITIES.....		\$1,901,811.15

RESERVES:

For self-insurance.....	\$ 13,200.00	
For post war contingencies.....	75,000.00	88,200.00

CAPITAL STOCK AND SURPLUS:

Capital stock:		
Common stock—par value \$50.00 per share:		
Authorized 120,000 shares; 80,000 shares issued.....	\$4,000,000.00	
Surplus:		
Capital surplus.....	\$ 250,000.00	
Earned surplus.....	1,999,821.60	2,249,821.60
		<u>6,249,821.60</u>
		<u>\$8,239,832.75</u>

CONTINGENT LIABILITY:

As guarantor on realty leases of Maison Blanche Realty Company, the annual rent of which is \$8,000.00 plus insurance and realty taxes to September 30, 1971.

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past three fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1944 by \$272,852.26 and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$7,800.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including matter referred to in Note A above which involves total tax liability of approximately \$143,600.00 for the three fiscal years ended January 31, 1944.

MAISON BLANCHE REALTY COMPANY

BALANCE SHEET

JANUARY 31, 1944

ASSETS

CURRENT ASSETS:

Cash	\$	31,245.91	
Accounts and notes receivable—tenants, less reserve of \$10,000.00 for doubtful....		15,217.74	
TOTAL CURRENT ASSETS.....	\$	46,463.65	

OTHER ASSETS:

Sundry accounts receivable and cash in closed bank, less reserve of \$16,917.34.....		4,832.79	
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LAND, BUILDINGS AND EQUIPMENT—AT COST:

Land.....	\$1,266,616.45		
Buildings, fixtures, equipment, etc.....	\$2,602,347.94		
Less reserves for depreciation.....	1,163,893.46	1,438,454.48	2,705,070.93

DEFERRED CHARGES:

Prepaid insurance, taxes and expenses.....		6,462.95	
		<u>\$2,762,830.32</u>	

LIABILITIES

CURRENT LIABILITIES:

Purchase mortgage note.....	\$	10,000.00	
Accounts payable, including \$6,688.61 to an affiliated company.....		12,952.76	
Accrued interest and taxes.....		22,531.18	
Federal and state taxes on income—estimated—Note B.....		17,027.02	
TOTAL CURRENT LIABILITIES.....	\$	62,510.96	

LONG TERM OBLIGATIONS:

First Mortgage Notes—4½%—maturing \$25,000.00 semi-annually on May 1st and November 1st, balance due May 1, 1949 (principal installments postponed by mortgagee until maturity of mortgage)	\$1,300,000.00		
Purchase mortgage notes — 4½%, maturing \$10,000.00 annually on July 15, 1944 to July 15, 1948 and \$5,000.00 due July 15, 1949.....	\$ 55,000.00		
Less note due July 15, 1944 included in current liabilities as above.....	10,000.00	45,000.00	1,345,000.00

DEFERRED PAYING ASSESSMENT:

Payable in installments subsequently to January 31, 1945.....		1,454.62	
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CAPITAL STOCK AND SURPLUS:

Capital stock:			
Common—par value \$100.00 per share:			
Authorized 7,500 shares.....	\$ 750,000.00		
Less 375 shares in treasury.....	37,500.00	\$ 712,500.00	
Earned surplus—Note A.....		641,364.74	1,353,864.74
		<u>\$2,762,830.32</u>	

NOTE A—Restricted in the amount of \$37,500.00 representing the par value of shares in the treasury.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

LOVEMAN,
And its Subsidiary Company,
CONSOLIDATED
JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 838,643.69
United States Government securities at cost and accrued interest.....	451,739.58
Accounts receivable—trade (including \$108,527.90 of installment accounts) less reserve of \$133,826.20 for doubtful.....	556,788.83
Merchandise inventories, less reserve of \$161,782.43—Note A.....	744,390.08
TOTAL CURRENT ASSETS.....	\$2,591,562.18

AFFILIATED COMPANIES:

Accounts receivable.....	13,814.79
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INVESTMENTS AND OTHER ASSETS:

Post war refund of excess profits tax—estimated.....	\$ 62,400.00
Cash surrender value of life insurance.....	43,737.63
Sundry accounts receivable, etc.....	8,167.74
Investments:	
In parent company—at quoted market price (422 shares common stock of City Stores Company)...	\$ 2,901.25
Sundry investments, less reserve of \$11,468.41.....	969.91
	<u>3,871.16</u>
	118,176.53

LAND, BUILDINGS AND EQUIPMENT—Note B:

Land.....	\$934,465.96
Buildings, equipment, furniture, fixtures, etc.....	\$1,386,903.11
Less reserves for depreciation.....	505,852.39
	<u>881,050.72</u>
	1,815,516.68

GOOD WILL—as stated on books.....	800,000.00
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes, interest, etc.....	32,740.20
	<u>\$5,371,810.38</u>

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past three years had the effect of reducing the amount stated for inventories at January 31, 1944 by \$150,503.18, and reducing net profit for the year then ended (after taxes on income) by approximately \$2,600.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Land stated at cost paid for in cash or capital stock at time of organization; buildings, fixtures and equipment stated at cost less subsequent accruing depreciation.

JOSEPH & LOEB
Home Finance Corporation

BALANCE SHEET

31, 1944

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, including mortgage installments of \$974.84 due in 1944.....	\$	484,877.97	
Accrued salaries and taxes.....		93,768.97	
Collections from sale of war bonds.....		7,800.00	
Federal and state taxes on income—estimated:			
Net after using \$24,000.00 post war credit of federal excess profits tax through reduction of debt—Note F.....	\$	962,224.83	
Less United States tax notes purchased for payment of such taxes when due.....		500,400.00	461,824.83
TOTAL CURRENT LIABILITIES.....			\$1,048,271.77

LONG TERM OBLIGATIONS:

First Mortgage 4%—on land, buildings and fixtures, due February 7, 1948, with semi-annual install- ment payments of \$20,000.00 each due February 7 and August 7.....	\$	820,000.00	
Real estate mortgage notes payable in 180 monthly installments of \$147.94 each, which includes interest at 4% per annum on the unpaid principal balance at date of payment (payable by subsidiary).....	\$	18,235.18	
Less amount included in current liabilities as above.	974.84	17,260.34	837,260.34

RESERVES:

For compensation, pensions, etc.....	\$	178,977.43	
For post war contingencies.....		25,000.00	203,977.43

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$100.00 per share:			
Preferred stock—7% cumulative—redeemable at \$120.00 per share—Note D:			
Authorized and issued 10,000 shares.....	\$1,000,000.00		
Less 7,403 shares in treasury...	740,300.00	\$ 259,700.00	
Common stock:			
Authorized 20,000 shares.....	\$2,000,000.00		
Less unissued 3,780 shares.....	378,000.00	1,622,000.00	\$1,881,700.00
Surplus—Notes D and E:			
Capital surplus.....	\$ 2,034.50		
Earned surplus.....	1,398,566.34	1,400,600.84	3,282,300.84
			<u>\$5,371,810.38</u>

NOTE C—All gross profit and carrying charges on installment sales are taken into income in year in which sales are made.

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1944 on the 7% cumulative preferred stock amounted to \$169,670.67, of which \$110,740.00 is applicable to preferred shares not owned by City Stores Company or its subsidiaries.

NOTE E—Restricted in the amount of \$740,300.00, representing the par value of preferred shares held in treasury.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including matter referred to in Note A above which involves total tax liability of approximately \$115,000.00, for the three fiscal years ended January 31, 1944.

B. LOWENSTEIN & BROS., INC.
BALANCE SHEET
JANUARY 31, 1944

ASSETS

CURRENT ASSETS:

Cash			\$1,106,691.08
United States Government securities at cost and accrued interest			201,500.00
Accounts receivable—trade less reserve of \$52,000.00 for doubtful			501,709.48
Merchandise inventories, less reserve of \$100,000.00—Note A			740,207.03
TOTAL CURRENT ASSETS			\$2,550,107.59

AFFILIATED COMPANIES:

Accounts receivable			3,198.07
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INVESTMENTS AND OTHER ASSETS:

Sundry investments—less reserve of \$3,663.00	\$	1.00	
Employees and sundry accounts receivable		3,194.50	3,195.50

FIXTURES, EQUIPMENT AND IMPROVEMENTS—AT COST:

Store and office fixtures and equipment	\$1,178,660.73		
Less reserves for depreciation	765,599.91	\$ 413,060.82	
Improvements to leased property	\$ 118,308.33		
Less reserve for amortization	56,083.70	62,224.63	475,285.45

GOOD WILL—as stated on books			150,000.00
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses			24,119.99
			<u>\$3,205,906.60</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable		\$	757,136.31
Collections from sale of war bonds			58,725.00
Accrued salaries, taxes and expenses			61,396.44
Federal taxes on income—estimated:			
Net after using \$63,666.00 post war credit of federal excess profits tax through reduction of debt—Note B	\$	666,500.00	
Less United States tax notes purchased for payment of such taxes when due		430,260.00	236,240.00

TOTAL CURRENT LIABILITIES			\$1,113,497.75
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RESERVES:

For special compensation and self-insurance	\$	60,500.00	
For post war contingencies		25,000.00	85,500.00

CAPITAL STOCK AND SURPLUS:

Capital stock:			
Common stock—no par value, declared value \$100.00 per share:			
Authorized 15,000 shares; 11,450 shares issued		\$1,145,000.00	
Surplus:			
Capital surplus	\$	414,719.33	
Earned surplus (since October 1, 1938)		447,189.52	861,908.85
			<u>2,006,908.85</u>
			<u>\$3,205,906.60</u>

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past three fiscal years had the effect of reducing the amount stated for inventories at January 31, 1944 by \$146,298.24 and reducing net profit for the year then ended (after taxes on income) by approximately \$2,200.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income, including matter referred to in Note A above which involves total tax liability of approximately \$92,000.00.

KAUFMAN-STRAUS COMPANY, INC.
And its Subsidiary Company, Homecraft Finance Corporation of Louisville
CONSOLIDATED BALANCE SHEET
JANUARY 31, 1944

CURRENT ASSETS:

ASSETS

Cash.....	\$ 295,933.53
United States Government securities at cost and accrued interest.....	253,169.10
Accounts receivable trade—less reserve of \$20,000.00 for doubtful.....	261,481.44
Merchandise inventories, less reserve of \$10,000.00—Note A.....	448,239.94
TOTAL CURRENT ASSETS.....	\$1,258,824.01

AFFILIATED COMPANIES:

Accounts receivable.....	3,167.34
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INVESTMENTS AND OTHER ASSETS:

Investments in other companies.....	\$ 503.00
Employee and sundry accounts receivable.....	1,897.37
Post war refund of excess profits tax—estimated.....	27,000.00
Claim for refund of surtax on undistributed profits.....	9,122.47
	38,522.84

LAND, EQUIPMENT AND IMPROVEMENTS:

Real estate and buildings—at cost.....	\$ 1,424.05	
Less reserve for depreciation.....	494.10	\$ 929.95
Furniture, fixtures, and equipment—Note B.....	\$252,627.48	
Less reserve for depreciation.....	118,446.01	134,181.47
Improvements to leased buildings—Note B.....	\$153,830.05	
Less reserve for amortization.....	46,832.82	106,997.23
		242,108.65

GOOD WILL—as stated on books.....	419,343.80
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses.....	29,659.32
	<u>\$1,991,625.96</u>

CURRENT LIABILITIES:

LIABILITIES

Accounts payable.....	\$ 423,605.01
Accrued salaries, taxes and expenses.....	36,818.76
Federal and state taxes on income—estimated—Note D.....	\$317,000.00
Less United States tax notes purchased for payment of such taxes when due.....	150,075.00
	166,925.00
TOTAL CURRENT LIABILITIES.....	\$ 627,348.77

RESERVE:

For post war contingencies.....	25,000.00
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CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred stock—7% cumulative—par value \$100.00 per share—Note C:	
Authorized and issued—10 shares.....	\$ 1,000.00
Preferred stock—5% cumulative—par value \$100.00 per share:	
Authorized 2,422 shares; issued 2,395 shares.....	\$239,500.00
Less retired 1,534 shares.....	153,400.00
	86,100.00
Common stock—par value \$100.00 per share:	
Authorized and issued 8,000 shares.....	800,000.00
	<u>\$887,100.00</u>

Surplus:

Capital surplus.....	\$241,842.31	
Earned surplus since February 1, 1940—Notes C and D.....	210,334.88	452,177.19
		<u>1,339,277.19</u>
		<u>\$1,991,625.96</u>

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past three fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1944 by \$75,606.30, and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$7,300.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Stated at sound values as determined in January 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation and amortization.

NOTE C—Accumulated unpaid and undeclared dividends at January 31, 1944 on the 7% cumulative preferred stock amounted to \$910.00.

NOTE D—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including the matter referred to in Note A above which involves total tax liability of approximately \$38,300.00 for the three fiscal years ended January 31, 1944, and for a certain State of Kentucky unemployment tax, successfully contested by the Company in the lower court which is pending appeal to The Court of Appeals of Kentucky.

CITY STORES MERCANTILE COMPANY, INC.

BALANCE SHEET

JANUARY 31, 1944

ASSETS

CURRENT ASSETS:		
Cash.....		\$ 19,862.51
AFFILIATED COMPANIES:		
Investments:		
Preferred stock of Loveman, Joseph & Loeb—902 shares—at cost (pledged as collateral to notes payable).....	\$115,006.60	
Common stock of Maison Blanche Company—34 shares—at cost	5,140.00	
	<u>\$120,146.60</u>	
Accounts receivable.....	15,681.04	135,827.64
OTHER ASSETS:		
Sundry accounts receivable.....		1,359.91
EQUIPMENT—NOTE A:		
Furniture and fixtures.....	\$ 26,872.39	
Less reserve for depreciation.....	<u>22,012.59</u>	4,859.80
DEFERRED CHARGES:		
Prepaid insurance and expenses.....		1,719.48
		<u><u>\$163,629.34</u></u>

LIABILITIES

CURRENT LIABILITIES:		
Notes payable:		
To bank—Guaranteed by City Stores Company (717 shares preferred stock of Loveman, Joseph & Loeb pledged as collateral).	\$ 76,930.00	
To an affiliated company (185 shares preferred stock of Loveman, Joseph & Loeb pledged as collateral).....	26,637.50	\$103,567.50
Accounts payable, including \$22,852.47 to affiliated companies.....		29,389.21
Accrued taxes, insurance and interest.....		1,270.64
TOTAL CURRENT LIABILITIES.....		<u>\$134,227.35</u>
CAPITAL STOCK AND SURPLUS:		
Capital stock—par value \$100.00 per share:		
Authorized 1,250 shares; issued and outstanding 250 shares.....	\$ 25,000.00	
Capital surplus.....	4,401.99	29,401.99
		<u><u>\$163,629.34</u></u>

NOTE A—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost, less provision for accruing depreciation.
NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

CAPITAL SURPLUS

BALANCE at January 31, 1944.....	\$ 4,401.99
No change during year.	

INCOME AND EXPENSES

Year Ended January 31, 1944

INCOME:		
Payments by subsidiary companies of City Stores Company for buying services—net.....		\$ 166,347.60
EXPENSES (Net).....		166,347.60
BALANCE.....		<u><u>\$ — 0 —</u></u>

KENVILLE REALTY COMPANY
BALANCE SHEET
JANUARY 31, 1944

ASSETS

ACCOUNT RECEIVABLE:

Affiliated company	\$ 280.33
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LAND—Note A	50,000.00
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	<u>50,000.00</u> <u>\$50,280.33</u>
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LIABILITIES

CURRENT LIABILITIES:

Real estate taxes	\$ 274.08
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Federal capital stock tax	6.25
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TOTAL CURRENT LIABILITIES	<u>\$ 280.33</u>
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CAPITAL:

Capital stock—par value \$100.00 per share:

Authorized and issued 500 shares	\$50,000.00	
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Earned surplus	-0-	50,000.00
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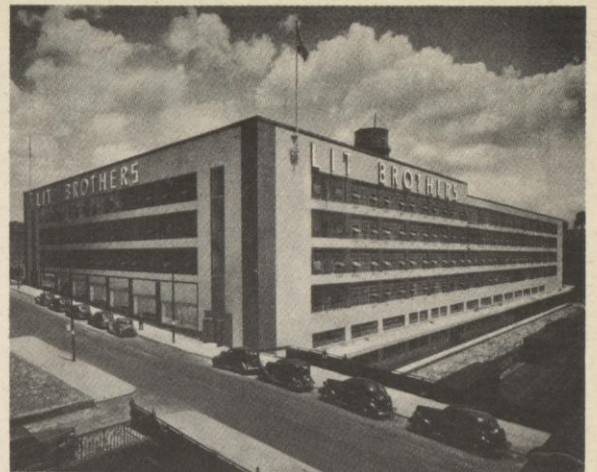
	<u>-0-</u> <u>50,000.00</u> <u>\$50,280.33</u>	
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NOTE A—Stated at cost of \$70,000.00 paid for in cash, less subsequent adjustment of \$20,000.00 against capital surplus as of January 31, 1934.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.



1.



2.



3.

1. LIT BROS.
Philadelphia, Pa.
2. LIT BROS.—Warehouse
Philadelphia, Pa.
3. MAISON BLANCHE Co.
New Orleans, La.
4. MAISON BLANCHE Co.
W. Carrollton, New Orleans, La.
5. B. LOWENSTEIN & BROS. INC.
Memphis, Tenn.
6. LOVEMAN, JOSEPH & LOEB
Birmingham, Ala.
7. KAUFMAN-STAUS Co., INC.
Louisville, Ky.



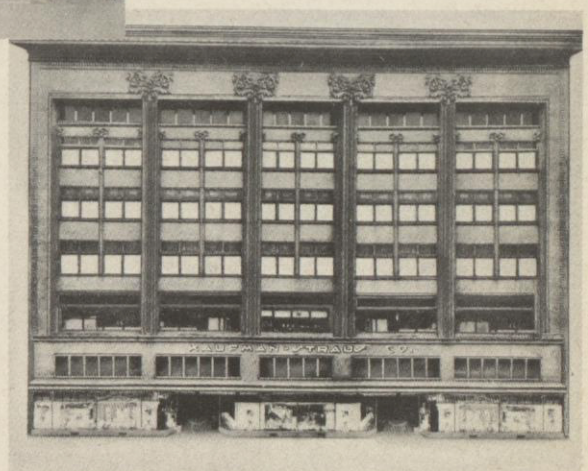
4.



5.



6.



7.

